

COIN MACHINE news

Background Music Today

How Industry Lives With It

NEWS ITEM: California operators Harry Policar and George Pizante feel there is a trend by some of the newer cocktail lounges to install continuously playing background music instead of a coin-operated phonograph. According to Policar, the number of calls for background music is growing in proportion to the number of new clubs being opened. Policar added that his firm charges such locations a monthly fee for maintaining a background music system.

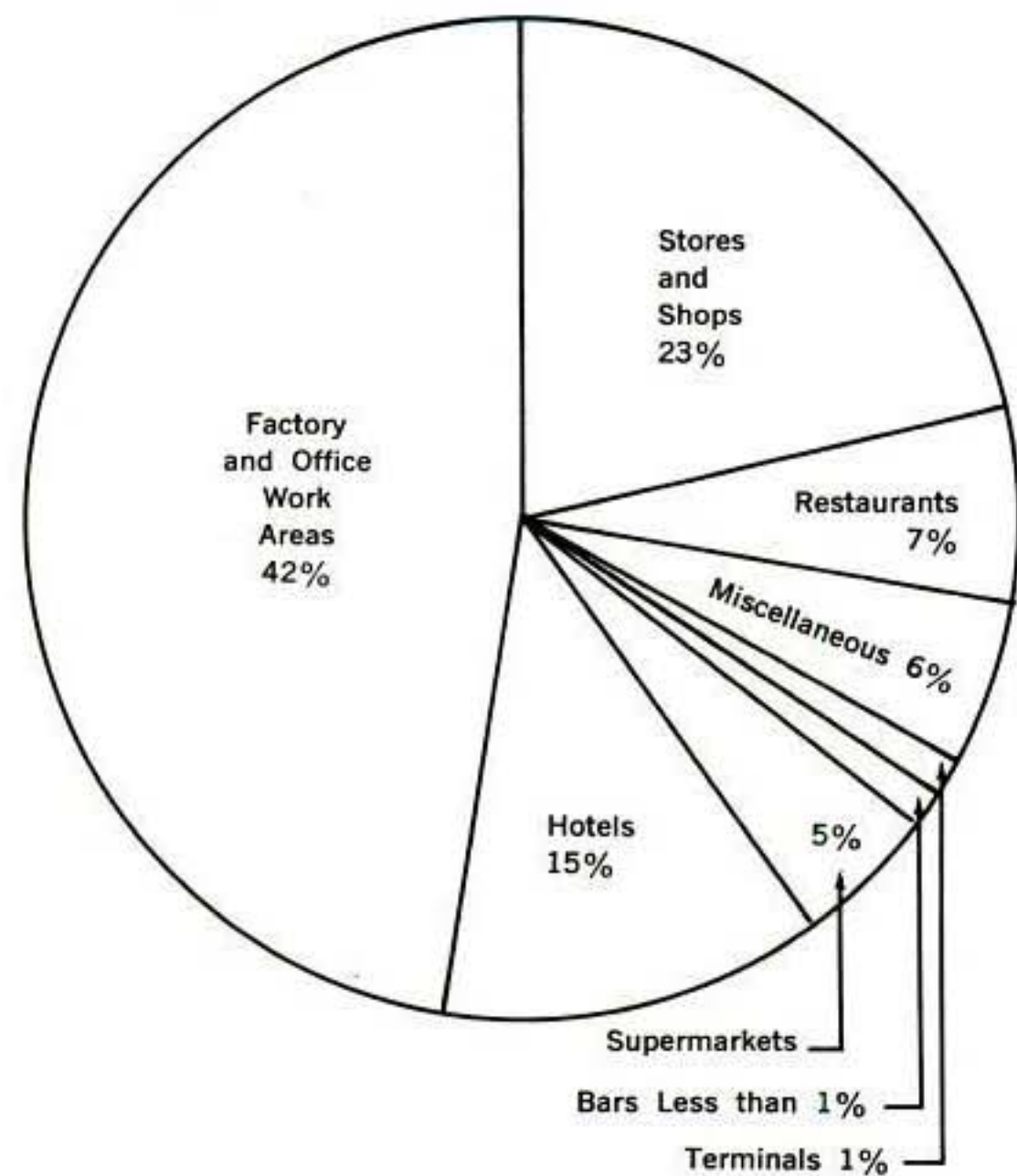
By PAUL ZAKARAS

CHICAGO—Background music has been described as music that is "heard, but not listened to." More important to the coin machine operator, however, are the facts that background music is a means of grossing between \$25 and \$40 per month per loca-

tion, and that some background music locations are tailor-made for the operator.

To date, however, most coin operators resist background music. Many of those that have diversified into it claim they were forced by locations. The reasons for operator resistance are varied

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BREAKDOWN OF MUZAK background music system customers around the country reveals that less than 1 per cent of these systems are in bars—indicating that competition between background music and coin-operated music is extremely limited.

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—some of them are based on logic, others on misunderstanding.

COMPETITION. The operator instinctively fears competition from the background music business. The main reasons for this seem to be that background music people don't play by the operator's set of rules. Direct location leasing, and even worse, direct location selling by some manufacturers of background music systems, is being carried on right in the operator's backyard. From his point of view this type of competition is somehow "unfair."

Also, few operators indicate they have stopped to examine the make-up of a background music business. All they know is that some of their former jukebox locations have forsaken them and that a number of newly opened cocktail lounges have rejected the jukebox in favor of the background music system. Therefore, most operators have concluded, background music is an enemy, a direct competitor with the jukebox.

Finally, the operator admits that he is awed by the sheer "bigness" of some of the background music companies. Operators generally regard themselves as small, independent businessmen; like any small businessmen they fear competition with giant firms.

To the operator then, background music often appears to be a direct, unfair and gigantic competitor. Research shows that such a belief, fortunately, is not quite true.

An examination of the typical customers of a large background music firm reveals that the majority of these are locations that would not be considered for a jukebox. (See chart.) Office buildings, banks, supermarkets, factories—"industrial" locations are prime targets for the background music salesman. A little closer to the coinman's territory is the background music installation in restaurants—but most of these locations are of the type that have never had a jukebox, or have never been profitable for the coin machine operator.

ROY'LTY ASPECT OF BACKGR'ND MUSIC SYSTEM

CHICAGO — Operators of background music systems must be informed about the amazingly complex matter of payment of royalties to performance rights societies. The matter is complicated further by the fact that a couple of systems offer libraries for which performance fees have been paid. Other systems do not. Nevertheless, there are some general facts, based on policies of the American Society of Composers, Authors & Publishers (ASCAP) which should be kept in mind. 1. If a location's system is not supplied by a regular music service company, the location will be billed for performance fees (provided the fees are not prepaid). 2. Background music service companies are charged at a minimum performance fee per location per month or a percentage of their gross income from all locations per month—whichever figure is higher. (ASCAP's minimum per location per month was \$2.17, but a brand-new contract has been drawn up and the figure may have changed.)

Finally, making up a tiny portion of the background music business is the "red-carpet bar," the plush, cocktail lounge type of location. Here is the area of competition. The clear distinction between a legitimate jukebox location and an obvious background music location breaks down at this point. Therefore, rather than being a direct competitor, big background music firms meet the coin machine industry in a very limited area.

Operators generally believe they must take a stand here and fight to keep these locations—this is how they are "forced" into the business.

Once they commit themselves to entering background music, operators say they make certain discoveries. Unlike coin machines, operators have discovered, background music systems require little service. And, if someone is going to sell, or lease a background music system to a location, why shouldn't it be the operator? Many firms claim they are delighted to have a knowledgeable local representative like the coin machine operator handling or selling their background music service.

Operators also soon realize that their "giant" competitors are not as all-powerful as they might seem. In the type of location where competition is most apt to occur, the operator has several distinct advantages. The cocktail lounge, unlike a factory or office building, is a small business—with many individualistic needs and problems. The operator, as a small businessman, has the necessary flexibility to make the kind of arrangements

that a large firm is not geared for. Also, in non-urban areas, the large firm finds expansion too costly and leaves the field to local businessmen.

USING BOTH SYSTEMS.

Coin machine operators who start to dabble in the background music business say that they try to get the location to keep the jukebox along with the system. Operators approached by newly built locations in search of a background music admit that they will install such systems with the hope that someday they can turn the location into a jukebox spot.

"We generally resist the location's attempt to install a background music system," said one operator, "because it often hurts our jukebox collections. In many instances we have found that collections dropped as much as 50 per cent after the installation of the background music system."

Precautions

World-Wide Distributors, Seeburg representative in Chicago, whose first loyalty is to jukeboxes, told Billboard that several types of precautions are taken to eliminate any possible collection drops in situations where Seeburg background systems are installed along with jukeboxes.

"First of all," said World Wide's Harold Schwartz, "when an operator comes to us and says his location wants background music, we suggest a way that background music can be put right on the jukebox. Forty of the 160 selections can be equipped with a switch which makes it impossible to play any-

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thing but these 40 tunes during the dinner hour. After that, the switch is thrown again and the customers can play the hits. This compromise sometimes satisfies the location and it keeps the operator happy."

"However," said Schwartz, "even if the owner demands a background music system, it doesn't necessarily have to mean 'lost' profits. We can equip the two systems with a relay switch—which cuts off the background music system automatically whenever a coin is put into a jukebox. In addition, we can equip the background system with a time mechanism which will shut it off after dinner hours."

Operators generally agree that such safeguards are necessary, but feel that getting a location to limit the background music in such ways is not always easy. "We often disagree with locations on how long the background music should be left on," said Wayne Hesch, a Chicago-area operator. "If we can get them to follow our suggestions—which is sometimes difficult—we can keep jukebox play from suffering."

A NON-CASH BUSINESS.

Many operators say they don't like the background music business because, unlike the coin machine industry, it does not operate on a cash basis.

"From my own experience, and from what other operators have told me," said one Midwest coin machine operator, "the background music bill is the last thing that locations want to pay. I don't like to have trouble collecting my money—and when you are not getting paid directly like you do from a jukebox, you sometimes have a hard time seeing your receipts."

Industry observers feel, however, that the coinman's unfamiliarity with doing business by check, is most responsible for such points of view. "In this country," said one distributor, "there are very few businesses left that exist on a cash basis. In fact, most successful businesses, like department stores, prefer to receive small monthly payments rather than cash with each purchase. The coin machine operator is used to having the money right there and it will probably take him a while before he can feel comfortable with an invoice-and-check type

of business arrangement.

Potential Loss

"However," he added, "the operator potential loss by lack of payment will most likely be less than his loss on gifts and bonuses. As a background music operator he enters into a contract with the location. If the location misses a payment he can take legal action if he is unwilling to give the owner some leeway. The most he can lose is one or two months' collections. The point is that a different way of doing business incurs different risks. In this case it does not seem that this payment risk mentioned with background music is any greater than certain other risks connected with a coin operation."

Several operators told Billboard that they do not mind the non-cash aspect of the business. "Actually," said one coinman, "when you lease a background music set-up to a location, you just wait for the money to roll in at the end of the month. By eliminating the 'coin' aspect of the business you automatically cut your service calls and your service costs. That, and the security you have with a long-term contract, somehow seem to eliminate a lot of the worries that you normally might have with a coin machine location."

COIN MACHINE OPERATORS AND BACKGROUND MUSIC. One operator, in a Billboard interview, made the following two statements:

(1) "I don't want to be in the background music business. I'm in it only because I have to. I must keep my foot in the door because I'm not willing to give up any locations.

(2) "I think that the operator

is the natural choice for the bar-owner who is looking for a background music system. Who knows music, and problems of bars, better than a coin machine operator? He is obviously best suited to satisfy the location's needs."

These statements reflect the type of attitude most operators have about background music. They realize that certain potential jukebox locations will prefer background music and they understand that they are the "natural" source of background music installations for the location. Yet, outside of a relatively small number of exceptions, operators today prefer to be pushed into background music rather than attempting to take the offensive.

"They could be right in some cases," said World Wide's Schwartz. "Some of these background music locations are going to start looking for a source of revenue instead of just giving their money away. Many of them will return to jukeboxes and probably settle for a combined background music and coin phonograph system."

Seeburg's background music man, Mill Trout, said that "the future holds room for both background music and for the jukebox. The fact that these two systems will exist in the same locations will have to be accepted. The type of plush locations which likes background music is becoming more common—yet many of these locations find that during certain parts of the day, say, during cocktail hour—the jukebox has the music people want to hear.

"Background music itself," said Trout, "is improving all the time. We are learning more about various types of locations and we are providing music that is better fitted for their needs.

BACKGROUND SYSTEMS THAT ARE AVAILABLE

Manufacturer

Rowe Manufacturing Co.

Description

Unit called **Customusic**. Totally automatic tape changer type. Offers six, 10-hour tapes that never repeat in the same sequence. Three libraries: "Atmosphere," "Commercial" and "Production." Full line of accessories available. Available from Rowe distributors.

Seeburg Corp.

Called the Seeburg Tailored Background Music system. Unit dubbed Seeburg "1,000" because capacity is 25 phonograph discs each with 40 selections. Two models: BMS-2 (with amplifier) and BMC-1 (with preamp). Three music libraries: "Industrial," "Basic," and "Mood." Available from Seeburg distributors.

Tape-Athon Corp.

Compact, reel-to-reel tape system with emphasis on tailoring background music program to individual locations. Has several standard libraries plus new "ethnic" libraries. Available from Inglewood, Calif., headquarters and some coin machine distributors. Firm seeking wider coin machine industry distribution.

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